

# TANTALLON TECH & SUSTAINABILITY FUND

The Tantallon Tech & Sustainability Fund is a Cayman Island vehicle that invests in listed equities globally. The fund targets a concentrated portfolio of around 20 names seeking returns from long-term growth companies as well as cyclical opportunities.

Tantallon Capital Advisors, the advisor since inception in 2017, is a Singapore-based entity holding a Capital Markets Service License in Fund Management from the Monetary Authority of Singapore.

May 2019 was a tough month on many levels. The portfolio was down 6% with none of our positions managing a positive contribution. While this was slightly better than the global average, we do kick ourselves for not participating more meaningfully in the run-up of the solar equipment and renewable energy generation sectors during month. It was the only good place in our technology & sustainability coverage in which to take advantage of strong fundamentals.

While we expected the momentum of the tech rally to reverse as the market fully discounted a goldilocks 2019H2 recovery, we were caught by surprise by the abrupt collapse of the US-China trade talks, the aggressive US stance on Huawei and the emergence of a broader policy of containing China.

Upon further examination of the Huawei issue (entity list & planned executive order to designate China as an adversary), my main investment concerns are:

- an increased likelihood of further waves of tech supply-chain disruptions.
- collateral political and market damage as Europe, Japan, Korea and Taiwan are forced to demonstrate their loyalty.
- collateral industrial damage as cold economic war strategic issues not only change entrenched industry trends in technology but also could affect other focus areas for us particularly related to Electric Vehicles and Renewable Energy. Furthermore, an adversarial US framework would

## Performance

Tantallon Tech & Sustainability Fund Size USD 12mn (Cayman is Feeder) (Inception Jan 17)

	<u>Fund</u>	<u>MXWD*</u>	<u>O/U Perf</u>	<u>MXWD0IT**</u>	<u>DJ Sust***</u>
May 2019	- 6.0%	- 6.2%	+ 0.2%	- 8.8%	- 5.9%
2019 YTD	+5.2%	+ 8.0%	- 2.8%	+14.5%	+ 7.1%
2018	-14.1%	-11.2%	- 2.9%	- 6.8%	-12.1%
2017	+24.4%	+21.6%	+ 2.8%	+40.3%	+20.6%
Inception	+12.4%	+16.7%	- 4.3%	+49.8%	+13.5%

\* MSCI ACWI Index

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\*\*\* Dow Jones Sustainability World Diversified Index

## FUND DETAILS

### Investment Manager:

Tantallon Capital  
(Cayman Islands)

### Fees:

1.5%pa Management fees

### Administrator:

DBS Bank Ltd

### Minimum Investment:

USD 1,000,000

### Domicile:

Cayman Islands

### Custodian:

DBS Bank Ltd

### Feeder funds

Offshore (Cayman Is)

### Auditor:

KPMG

### Lawyers

Harney Westwood & Riegels Singapore  
Morgan Lewis Stamford LLC

### Dealing:

Monthly

### Contact:

Alex Hill  
(alex@tantalloncapital.com)

reduce the chance of a sufficient and coordinated global response to climate change which underpins many of our sustainability investments.

How different will the next decade(s) be?

Having grown up in a fairly benign growth environment based on successive Asian (and other emerging) economies closing the gap with the OECD and contributing heavily to a strong economic trends (albeit cyclically) globally, I am now wondering whether this back-drop is no longer applicable to

	2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fund Monthly Gross Return		3.3%	0.1%	3.9%	5.3%	-5.7%							
Fund Cumulative Gross Returns		3.3%	3.5%	7.5%	13.2%	6.8%							
Fund Monthly Net Returns		3.1%	-0.2%	3.6%	4.9%	-6.0%							
Fund Cumulative Net Returns		3.1%	2.9%	6.6%	11.9%	5.2%							
Equity Monthly Returns		7.5%	0.1%	8.2%	8.3%	-10.4%							
Equity Cumulative Returns		7.5%	7.6%	16.5%	26.1%	13.0%							

the next few years or even decades of investing.

I must admit that I had come around to the idea that China's ascendancy to a co-leadership position in the world was inevitable and that the China market could even surpass the US in certain areas.

Judging the challenge to incumbent industry from Chinese competition was part of our investment process just like estimating the potential to generate revenue growth China and other EM economies. As global investors it was our analysis of the winners and losers in the global marketplace that would steer us to invest in the right companies, no matter if a Chinese Nasdaq listed company or a Singapore HQ American company. What now?

We are weighing four scenarios for the future.

1. Back to business: While the broad US political will to put China in its place has become evident, a desire to maintain economic growth prevails. The current trade system remains intact and the added pressure makes China improve its trade practices.
2. A cool trade war: Trust between the two major nations has been damaged and agreements will be reached only reluctantly as the stresses to their respective economies become apparent.
3. A cold trade war: all policies are enacted in the spirit of a zero-sum game with little regard for the damage to the world economy. Supply chains considered strategic will be broken over the next years and clear lines (walls) will be drawn.
4. A hot war: Strategic economic issues become military issues, particularly in the Pacific. A few potential flashpoints exist.

At the moment Scenario 1 & 4 are extreme and unlikely. It is as difficult to imagine a return to the status quo of 2 years ago as it is to predict military activity between the two powers in the Pacific. Adjusting to S2 is possible by reducing growth assumptions and anticipating flare-ups and solutions of particular hot issues. S3 is more difficult as all the rules get re-written in an effort to weaken the other side without resorting to Scenario 4. If the results become too lop-sided, the chance of Scenario 4 increases.

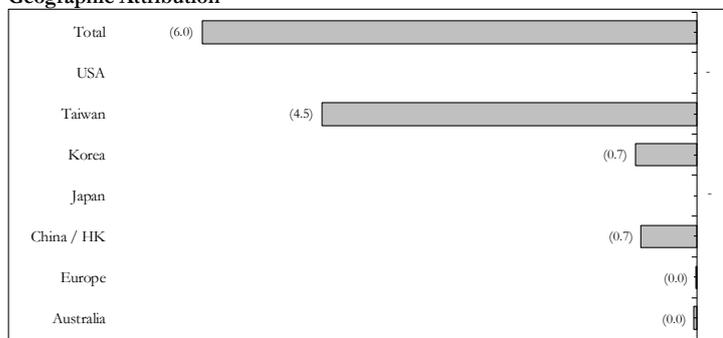
Tech commodities (hoping for a cyclical revival in 19H2) remain non-investible for the rest of the year as a correction becomes more of a rout. Supply chain companies will also see a hit to revenues and margins as their operating environment become more complex and utilization drops.

August 19<sup>th</sup> remains a key date this summer as it will see the lapse or extension of the temporary general license that allows suppliers to Huawei to continue to ship product which keeps the Huawei networks operating smoothly.

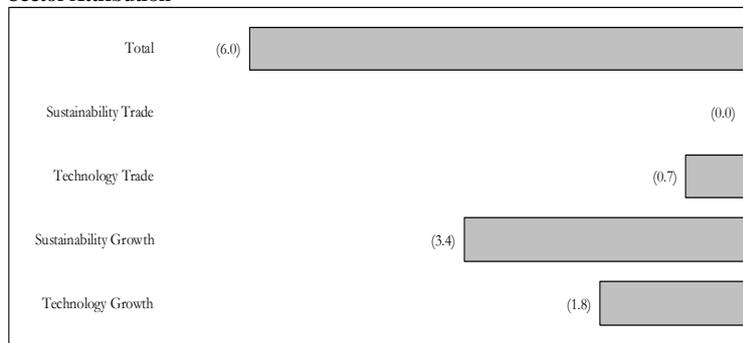
We will look to reflect these changes in opportunities and challenges throughout the summer in order to adapt our portfolio to the new realities.

% OF ASSETS ALLOCATION	EXPOSURE
Taiwan	31.7%
Hong Kong / China	10.5%
Korea (South)	7.2%
Europe	2.4%
Australia	0.5%
Japan	0.0%
Cash	47.7%
<b>Total</b>	<b>100.0%</b>

#### Geographic Attribution



#### Sector Attribution



#### Equity Positions

Total	8	Largest 5	47.0% of NAV	Liquidity	0.2 days	Mkt Capitalization	>7.5Bn	29.0%
						Gross Exposure (USD)	>1Bn-7.5Bn	5.9%
							<1Bn	65.1%

#### Top Holdings

Ememory Technology Inc (TT)	31.7%
Longi Green Energy Technol-A (CN)	5.4%
LG Chem Ltd (KP)	4.8%
Xinyi Solar Holdings Ltd (HK)	2.6%
BYD Co Ltd-H (HK)	2.5%

#### Main Contributors - May

#### Main Detractors - May

Ememory Technology Inc (TT)
Delta Electronics Inc (TT)
Catcher Technology Co Ltd (TT)
LG Chem Ltd (KP)
BYD Co Ltd-H (HK)

The Fund has appointed Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. Banque Heritage SA, 61 Route de Chêne, CH-1208 Geneva, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the

TANTALLON CAPITAL, 137 TELOK AYER ST #03-05, SINGAPORE 068602. T: +65 6327 3920 F: +65 6327 3924 [www.tantalloncapital.com](http://www.tantalloncapital.com) The information contained in this report is intended for presentation purposes only. This report is not, and should not be construed, as an offer to sell or the solicitation of an offer to purchase or subscribe for any security or financial product.